

SUBJECT: School District Final Reports

ITEM NUMBER: 7

ATTACHMENTS: 2

ACTION: \_\_\_\_\_

DATE OF MEETING: November 5, 1998

INFORMATION: X

PRESENTER: Mr. Snyder

- The District did not report payments ranging from \$922 to \$1,961 paid to 375 members for performing department chair duties. According to the District's collective bargaining agreement, release time was not provided, thus the payments would have been non-creditable for retirement reporting purposes. In response to the audit report, the District did provide assurances that release days were given and thus avoided the large potential effect of this finding. The District also stated that it would modify the bargaining agreement so that release time is clearly stated.

School District Final Reports

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The cost to complete these two audits, which includes staff time, travel, and per diem, was \$21,382. With a total savings of \$3,935.65 to the System, the audit benefit was more than \$0.18 for each \$1 expended. It should be noted also that the benefits from field audits are not limited to savings resulting from corrections of contributions or inflated retirement allowances. Also important are the on-site training that occurs as a by-product of audit discussions in the field, and the deterrent effect of the program of auditing randomly selected districts.

**Office of Audits  
Executive Summary  
For the Budgets and Audits Committee  
Findings & Adjustments Needed  
Audit of Vallecito Union Elementary School District  
Avery, CA**

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Period Audited: July 1, 1995 to June 30, 1996 - For Audit of Active Members  
July 1, 1993 to June 30, 1996 - For Audit of Retired Members

Audit Report Date: October 23, 1998

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**Audit Cost-Benefit Summary:**

| <u>Benefit:</u>  |                    | <u>Cost:</u>   |                 |
|--|--------------------|--|-----------------|
| Corrections to contributions                                 | \$ 0               | Direct costs   |                 |
| Retirement allowance, unfunded liability (net present value) | 0                  | (Staff salaries, fringe benefits, travel and per diem) |                 |
| Excess sick leave (net present value)                        | 0                  |  | <u>\$ 5,189</u> |
| Excess post-retirement earnings                              | <u>0</u>           |  |                 |
| <b>TOTAL DOLLAR EFFECT</b>                                   | <u><u>\$ 0</u></u> | <b>Benefit per Dollar Spent</b>                        | <b>\$ 0</b>     |
| Unreported post-retirement earnings                          | <u><u>\$ 0</u></u> |  |                 |

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**1. Finding:**

We found no findings for the periods audited and no adjustments on the reported information were needed. The district was in compliance with the State Teachers' Retirement Law and related STRS Administrative Directives in reporting earnings and other retirement plan-related information to STRS.

**Adjustment Needed**

None.

**Office of Audits  
Executive Summary  
For the Budgets and Audits Committee  
Findings & Adjustments Needed  
Audit of Anaheim Union High School District  
Anaheim, CA**

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Period Audited:        July 1, 1993 to June 30, 1994 - For Audit of Active Members  
                             July 1, 1991 to June 30, 1995 - For Audit of Retired Members

Audit Report Date:    August 3, 1998

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**Audit Cost-Benefit Summary:**

| <u>Benefit:</u>  |                            | <u>Cost:</u>   |
|--|----------------------------|--|
| Corrections to contributions                                 |                            | Direct costs   |
| Retirement allowance, unfunded liability (net present value) |                            | (Staff salaries, fringe benefits, travel and per diem) |
| Excess sick leave (net present value)                        | \$3,935.65                 | <u>\$16,193.76</u>                                     |
| Excess post-retirement earnings                              | <u>0</u>                   |  |
| <br>TOTAL DOLLAR EFFECT                                      | <u><u>\$3,935.65</u></u>   | <b>Benefit per Dollar Spent   \$ 0.24</b>              |
| <br>Unreported post-retirement earnings                      | <u><u>\$ 46,700.00</u></u> |  |

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**Finding A:**

**Excess Sick Leave Days Not Reported Separately From Basic Sick Leave Days:** The District did not report to STRS a total of 50.4 unused excess sick leave days separately from basic sick leave days for three members who retired. As a result, the District did not pay STRS the present value of \$3,935.65 needed to fund the additional retirement benefit related to the excess sick leave days service credit.

**Adjustment Needed**

The District must submit corrections using STRS Form SR-0559, Employment Termination and Sick Leave Correction, to correct the three members' basic unused sick leave days and excess sick leave days as of their retirement date, and remit to STRS the present value of the excess days, which is \$3,935.65.

## **Finding B:**

**The District Did Not Report Post-Retirement Earnings:** The District did not report to STRS \$46,700 in post-retirement earnings for creditable service performed by two retired members for the 1992-1993, 1993-1994, and 1994-1995 school years. These two retired members were included on a listing that the District stated were individuals reclassified by the Internal Revenue Service to employee status from independent contractor status. When an individual performing creditable service is determined to be an employee, the District must report the creditable earnings to STRS.

### **Adjustment Needed**

The District should report the post-retirement earnings of the two retired members to STRS, however, because the retired members did not exceed the post-retirement limitation in any year audited, no report is necessary. In addition, the District must review the other individuals reclassified by the Internal Revenue Service to employee status to determine if the earnings should either be reported or not to be reported to STRS.

## **Finding C:**

### **The District Reported Payments For Extra Duty Performed Without Release Time:**

The District inappropriately reported as creditable compensation to STRS, approximately 375 Department Chairpersons stipends. These Department Chairpersons apparently performed extra duties without release time according to the District's collective bargaining unit agreements. Compensation for performing department chairperson duties is creditable only if release time is given so that the duties are performed within the normal workday required of all full-time teachers.

### **Adjustment Needed**

The District must either stop reporting the Department Chairperson stipends as creditable compensation or provide STRS with written assurance that the duties are performed within the duty day. If the written assurance is given, the District should then modify the bargaining unit agreement so that it is clear that Department Chairperson duties are within the normal duty day required of all teachers. *Note:* The District did give written assurance that release days were given so that the duties would be within the duty year. The District further stated that it would modify the bargaining unit agreements.